

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6616**

**BILL NUMBER:** HB 1031

**DATE PREPARED:** Dec 3, 2001

**BILL AMENDED:**

**SUBJECT:** Antiterrorism Package.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill makes several provisions.

*Order of Succession:* This bill establishes an order of state officers to discharge the powers and duties of the Governor if the office of the Governor and the office of the Lieutenant Governor are both vacant.

*Center for Coal Technology Research:* The bill creates a Center for Coal Technology Research to develop technologies to advance the use of Indiana coal and its byproducts.

*Integrated Health and Public Safety Communications Account:* The bill also creates (and abolishes on July 1, 2007) the Integrated Health and Public Safety Communications Account in the Tobacco Master Settlement Agreement Fund and distributes from the fund into the account \$25 M per year for four years. The bill also provides for the yearly transfer of money from the account into the Integrated Public Safety Communications Fund.

*Tax Credits:* (A) This bill also creates a tax credit for taxpayers that, after September 11, 2001, implement environmental design to prevent the attack and destruction of their buildings. (B) The bill also creates a tax credit for companies that, after September 11, 2001, increase production of antibiotics and vaccines effective against bioterrorism agents. (C) It also provides that a volunteer firefighter or volunteer emergency medical technician is eligible for an Income Tax credit of up to \$500.

*Commercial Driver's License Provisions:* The bill requires the Bureau of Motor Vehicles (BMV) to adopt rules requiring persons seeking a commercial driver's license to: (1) document proof of eligibility for legal employment; (2) document proof of Indiana residency; and (3) in order to obtain a license under reciprocity, pass written and skills tests. It also makes technical changes to references to certain federal regulations governing commercial driver's licenses. The bill also prohibits an applicant for a hazardous materials endorsement from obtaining the endorsement if the applicant has been convicted of a felony that resulted in

serious bodily injury or death and provides for the revocation of a previously issued endorsement.

**Effective Date:** Upon passage; January 1, 2001 (retroactive); January 1, 2002 (retroactive); July 1, 2002.

**Explanation of State Expenditures:** *Center for Coal Technology Research:* This proposal establishes the Center for Coal Technology Research and the Coal Technology Research Fund.

The director of the Department of Commerce may:

- (1) organize the Center;
- (2) execute contracts for its operation;
- (3) receive money from any source;
- (4) expend money for appropriate activities;
- (5) execute agreements, cooperate with, and use the resources of:
  - (A) Purdue University and other state educational institutions;
  - (B) a state or federal department or agency;
  - (C) a political subdivision; and
  - (D) interest groups representing business, the environment, industry, science, and technology; and
- (6) subject to the approval of the Budget Agency, employ personnel as necessary for the efficient administration of the Center's operations.

Expenditures of the Center are indeterminable and will depend on the financial organization and operation of the Center. The proposal contains no appropriations.

The Budget Agency shall administer the Coal Technology Research Fund. The fund is established for the purpose of providing money for the Center and for the director to carry out the operations of the Center. The Budget Agency should be able to administer the fund given its current resources.

*Integrated Health and Public Safety Communications Account:* The bill also provides for the annual transfer of \$25 M of trust funds from the Tobacco Master Settlement Agreement Fund to the Integrated Health and Public Safety Communications Account for four fiscal years beginning with FY 2002. The provisions of P.L. 21-2000 are assumed to be superceded by the provisions of this bill allowing the 40% accumulating balance in the trust fund to be used for this appropriation. This would reduce the amount of the accumulated trust by \$100 M plus any associated interest earnings that would have accumulated within the trust fund. The appropriations from the Tobacco Master Settlement Agreement Fund in the current biennial budget would be unaffected by the provisions of this bill.

*Tax Credits:* The Department of State Revenue will have additional administrative expenses associated with revising tax forms, instructions and computer programs to accommodate these new tax credits. These expenses will be covered under their existing budget.

**Explanation of State Revenues:** *Center for Coal Technology Research:* This proposal establishes the Coal Technology Research Fund. The fund consists of money appropriated by the General Assembly and gifts, grants, and bequests. Money in the fund at the end of a state fiscal year does not revert to the State General Fund. The Treasurer of State must invest money in the Fund not currently needed to meet the obligations of the fund in the same manner as the Treasurer may invest other public funds. The establishment of the fund could result in an increase in state revenues if contributions to the fund are made by non-state sources.

*Crime Prevention Through Environmental Design Credit (CPTED):* This bill creates a new tax credit that will allow certain taxpayers to receive a 50% credit against state tax liabilities for qualified expenditures related to crime prevention through environmental design. The impact of the bill is unknown and will depend on the amount qualified firms spend from January 1, 2001, forward on preventing crime through qualified environmental designs.

The bill limits the taxpayers who can take the credit to firms that have a state tax liability and who satisfy at least one of the following conditions:

- 1) own a building at least 10 stories high;
- 2) have at least 1,000 tenants, residents, or employees working or living in the building;
- 3) manufacture defense-related, transportation-related, or steel products;
- 4) produce energy; or
- 5) are a refinery.

While neither the number of buildings in the state over 10 stories high nor the number of defense-related firms is readily available, an approximate estimate of the number of establishments that may receive the credit are available through several data sources; including the U.S. Census Bureau, the U.S. Department of Energy, and the Indiana Utility Regulatory Commission. The following table shows the number of establishments that may qualify for the tax credit:

**Number of Selected Firms Eligible for the CPTED Credit**

Establishments with over 1,000 employees	168
Transportation-Related Manufactures	653
Steel Product Manufactures	98
Qualified Utilities	5
Refineries	2

*Note: These categories are not necessarily mutually exclusive.*

The tax credit is effective for tax years beginning January 1, 2001, and could affect revenue collections beginning in FY 2002. The tax credit may not be carried back and is not refundable, but may be carried forward. The credit may be applied to a tax liability under the Gross Income tax, Adjusted Gross Income tax, the Supplemental Net Income tax, the Bank tax, the Savings and Loan Association tax, the Financial Institutions tax, or the Insurance Premium tax. These taxes are deposited in the General Fund and the Property Tax Replacement Fund.

*Pharmaceutical Production Tax Credit:* This bill establishes a new Pharmaceutical Production tax credit effective January 1, 2001. The tax credit is available to a person, corporation, partnership, or other entity that has pharmaceutical production expenses which occurred after September 11, 2001. Pharmaceutical production applies to antibiotic drugs and vaccines that the federal Food and Drug Administration has approved for treatment or prevention of bioterrorism agents, including anthrax and smallpox. The credit is equal to the lesser of the taxpayer's state tax liability or 10% of the pharmaceutical production expenses incurred during the tax year. The tax credit may not be carried back and is not refundable, but may be carried forward. The tax credit expires June 30, 2007.

Based on preliminary analysis, it appears that there are only two manufacturers in the state which have the potential capability to produce the applicable antibiotics drugs. The extent to which this tax credit may be

taken is indeterminable.

The tax credit is applicable for tax years beginning January 1, 2001 to June 30, 2007 so revenue collections could be impacted beginning in FY 2002. The credit may be applied to a tax liability under the Gross Income tax, Adjusted Gross Income tax, the Supplemental Net Income tax, the Bank tax, the Savings and Loan Association tax, the Financial Institutions tax, or the Insurance Premium tax. These taxes are deposited in the General Fund and the Property Tax Replacement Fund.

*Volunteer Public Safety Officer Income Tax Credit:* The bill would reduce state AGI Tax liabilities for individual taxpayers who are active volunteer firefighters or volunteer EMTs in Indiana. The revenue loss due to this bill could potentially total \$11.7 M to \$14.2 M annually beginning in FY 2003.

The bill creates a non-refundable state AGI Tax credit for active volunteer firefighters and volunteer EMTs equal to the lesser of \$500 or the individual's AGI tax liability. The bill prohibits taxpayers from claiming more than one \$500 tax credit per tax return. It is estimated that there are between 17,000 and 22,000 active volunteer firefighters and 6,420 active volunteer EMTs in Indiana. As a result, the \$500 credit could potentially lead to an annual revenue loss ranging from \$11.7 M to \$14.2 M annually, provided the full \$500 credit is claimed by each active volunteer firefighter and volunteer EMT. To the extent that eligible taxpayers don't claim the credit or don't have tax liabilities sufficient enough to allow them to claim the full \$500 credit, the revenue loss could be lower. However, it is important to note that tax liability and tax credit data from 1998 and 1999 individual income tax returns suggests that many of the individuals eligible for this tax credit may be able to claim the full credit amount of \$500. The tax return data indicates that taxpayers with an adjusted gross income at or below \$150,000 (98% of individual filers) had an average AGI tax liability of about \$940. At the same time, the average value of state tax credits claimed by this group was roughly \$22. (This total excludes the earned income tax credit and the unified credit for the elderly.) It is also important to note that the annual impact could increase in future years if the credit provides a sufficient incentive for more individuals to become volunteer firefighters or volunteer EMTs.

Since the credit would be effective beginning in tax year 2002, it would impact revenues beginning in FY 2003. Revenue from the Adjusted Gross Income Tax is deposited in the state General Fund.

*Commercial Driver's License Provisions:* The passage of the required examinations and skills tests may affect the number of CDLs issued, but more likely will affect the third-party testers who provide the skills tests for the CDL by potentially reducing the number of tests provided each year.

The current fee for a CDL is \$30, with \$15 deposited into the Motor Vehicle Highway Account, \$14.50 deposited into the State License Branch Fund (which supports the 168 State License Branches throughout the state), and \$.50 deposited into the BMV Technology Fund (which is used to acquire new technology for the BMV). The current fee for an endorsement is \$20, with \$10 deposited into the Motor Vehicle Highway Account, \$9.50 deposited into the State License Branch Fund, and \$.50 deposited into the BMV Technology Fund.

The skills tests required for the CDL are conducted by third-party testers. The fee for the skills test cannot exceed \$100, with the fee retained by the person or persons providing the test. In addition, there is a \$25 fee to rent the equipment from the site of the test. Currently, there are 18 contracted third-party testers throughout the state providing 20,000 skills tests annually.

With regard to the hazardous materials endorsement for the CDL, the American Association of Motor

Vehicle Administrators (AAMVA) reports that two states, Illinois and Pennsylvania, are not issuing CDLs with hazardous materials endorsements. Also, New York, Louisiana, and Iowa are waiting for the federal government to publish rules on how the federal law (U.S. Patriot Act of 2001) is to be implemented. This law requires a federal background check.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Commerce, Treasurer of State, State Budget Agency, Bureau of Motor Vehicles, Department of State Revenue.

**Local Agencies Affected:** Any political subdivision that decides to participate in the activities of the Center for Coal Technology Research.

**Information Sources:** Claudia Mellott, CDL Coordinator, Department of Revenue, 615-7210; Kevin Lewis, American Association of Motor Vehicle Administrators (AAMVA); Department of State Revenue.